

Chapter 3

Poverty Eradication and Restructuring of Society

3

POVERTY ERADICATION AND RESTRUCTURING OF SOCIETY

I. INTRODUCTION

3.01 The distributional strategy in the Seventh Malaysia Plan focused on the eradication of hardcore poverty, restructuring of employment and the rapid development of an active Bumiputera Commercial and Industrial Community (BCIC). As a result, the incidence of poverty decreased and overall income inequality narrowed. In addition, there was an increase in the proportion of registered Bumiputera professionals as well as in the number of Bumiputera enterprises, both in the corporate and non-corporate sectors. However, the proportion of Bumiputera equity ownership in the corporate sector declined.

3.02 During the Eighth Plan period, emphasis will continue to be given on increasing effective Bumiputera ownership and participation in the corporate sector, improving Bumiputera participation in high-income occupations, strengthening the development of the BCIC, narrowing income inequality and eradicating poverty. In this regard, the Government will strengthen the implementation of distributional strategies to ensure targets are met. In particular, the equity restructuring strategy will be reviewed towards attaining at least 30 per cent effective Bumiputera equity ownership by 2010, as stipulated in the Third Outline Perspective Plan (OPP3), 2001-2010. Programmes to restructure employment will focus on increasing the number of Bumiputera professionals, managers and skilled workers in various occupations and sectors. The programme for the development of the BCIC will also be strengthened to accelerate the growth of the Bumiputera middle-income group and to create successful world-class Bumiputera entrepreneurs. With regard to poverty eradication, a more target-specific programme will be implemented to address pockets of poverty in rural and urban areas. In addition, the private sector will also complement the efforts taken by the Government in attaining the distributional objectives.

II. PROGRESS, 1996-2000

3.03 Despite experiencing some reversals during the economic crisis in 1997-1998, there was overall progress in bringing about equitable growth during the Seventh Plan period, especially pertaining to poverty eradication and income distribution as well as employment restructuring. However, with regard to the restructuring of equity ownership, Bumiputera equity ownership in the corporate sector declined.

Poverty Eradication

3.04 The thrust of the Seventh Plan was to reduce the incidence of hardcore poverty to 0.5 per cent and of general poverty to 5.5 per cent by 2000. The Government continued to play the leading role in poverty eradication efforts by promoting income-generating projects, providing amenities to improve the quality of life and implementing programmes to inculcate positive values among the poor. Several Government corporations, namely the Federal Land Development Authority (FELDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA) and Rubber Industry Smallholders Development Authority (RISDA) contributed to a special scheme to eradicate hardcore poverty. The private sector and non-governmental organizations (NGOs) complemented these efforts. As a result of these efforts and the rapid economic growth during the 1995-1997 period, considerable progress was made in reducing poverty during the Plan period.

3.05 *General Poverty.* The incidence of poverty among Malaysians decreased from 8.7 per cent in 1995 to 6.1 per cent in 1997 and the number of poor households declined by 25 per cent, from 365,600 to 274,200, as shown in *Table 3-1*. Efforts to further reduce poverty were hampered by the economic crisis, and the incidence of poverty increased to 8.5 per cent in 1998. However, with the economic recovery in 1999, the incidence of poverty declined to 7.5 per cent. The poverty line incomes used to calculate the incidence of poverty are as shown in *Table 3-2*.

3.06 Both rural and urban households recorded reductions in poverty during the Plan period. The incidence of rural poverty decreased from 14.9 per cent in 1995 to 12.4 per cent in 1999 while urban poverty declined from 3.6 per cent to 3.4 per cent. The incidence of poverty among the agriculture workers was the

TABLE 3-1

**INCIDENCE OF POVERTY AND NUMBER OF POOR HOUSEHOLDS,
1995, 1997 AND 1999**

	1995 ¹			1997 ¹			1999		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
Malaysian Citizens									
Incidence of Poverty	(%)	8.7	3.6	14.9	2.1	10.9	7.5	3.4	12.4
Number of Poor Households	('000)	365.6	83.8	281.8	52.4	221.8	351.1	86.8	264.3
Incidence of Hardcore Poverty ²	(%)	2.1	0.9	3.6	0.4	2.5	1.4	0.5	2.4
Number of Hardcore-Poor Households	('000)	88.4	20.1	68.3	10.6	51.8	64.1	13.5	50.6
Total Households	('000)	4,212.3	2,315.8	1,896.5	2,449.8	2,038.3	4,681.5	2,548.0	2,133.5
Overall									
Incidence of Poverty	(%)	9.3	4.1	15.6	2.4	11.8	8.1	3.8	13.2
Number of Poor Households	('000)	418.3	99.3	319.0	64.9	267.5	409.3	102.7	306.6
Incidence of Hardcore Poverty ²	(%)	2.1	0.9	3.5	0.5	2.4	1.4	0.6	2.4
Number of Hardcore-Poor Households	('000)	94.0	21.8	72.2	12.2	55.3	71.1	15.6	55.5
Total Households	('000)	4,497.7	2,449.7	2,048.0	2,660.1	2,263.9	5,047.0	2,725.9	2,321.1

Notes:

- ¹ Revised based on the latest household population data.
- ² Estimated using half the poverty line income.

TABLE 3-2

POVERTY LINE INCOMES¹, 1995-1999
(RM per month per household)

	1995	1997	1998	1999
Semenanjung Malaysia ²	425	460	493	510
Sabah ²	601	633	667	685
Sarawak ²	516	543	572	584

Notes:

¹ Estimated based on the minimum requirements of a household for three major components, namely food, clothing and footwear, and other non-food items such as rent, fuel and power; furniture and household equipment; medical care and health expenses; transport and communications; and recreation, education and cultural services. For the food component, the minimum expenditure was based on a daily requirement of 9,910 calories for a family of five persons while the minimum requirements for clothing and footwear were based on standards set by the Department of Social Welfare to welfare homes. The other non-food items are based on the level of expenditure of the lower income households, as reported in the Household Expenditure Survey. The poverty line income is updated annually to reflect changes in the levels of prices by taking into account changes in the Consumer Price Indices.

² Adjusted based on an average household size of 4.6 in Semenanjung Malaysia, 4.9 in Sabah and 4.8 in Sarawak.

highest at 16.4 per cent in 1999. Similarly, households headed by the elderly, those 65 years and above, and female-headed households, experienced high incidence of poverty at 22.7 per cent and 16.9 per cent, respectively.

3.07 The reduction in the incidence of poverty during the Plan period was due to the expansion of the economy and the implementation of specific programmes towards increasing the productivity and improving the living standards of the poor. These included the modernization and commercialization of the smallholder subsector, consolidation and rehabilitation of land, replanting schemes, expansion of rural-based industries and the provision of basic services and utilities such as education, health, potable water and electricity. In addition, specific urban-based programmes, namely squatter resettlement and low-cost housing projects, improved the living conditions of the urban poor.

3.08 *Hardcore Poverty.* Rapid economic growth prior to mid-1997 and the intensified implementation of the Development Programme for the Hardcore Poor or *Program Pembangunan Rakyat Termiskin* (PPRT), reduced the incidence of hardcore poverty among Malaysians from 2.1 per cent in 1995 to 1.4 per cent in 1999, as shown in *Table 3-1*. Similar reductions were recorded in rural and urban areas. The incidence of rural hardcore poverty declined from 3.6 per cent in 1995 to 2.4 per cent in 1999, while in the urban areas, it decreased from 0.9 per cent to 0.5 per cent.

3.09 During the Plan period, the PPRT continued to emphasize income-generating projects that included petty trading, cottage industries, livestock and aquaculture projects and the commercial production of food crops. PPRT also provided training and improved basic amenities for the hardcore poor. During the Plan period, the Government reviewed the *Amanah Saham Bumiputera* (ASB)-PPRT scheme by introducing a four-year grace period for the RM5,000 interest-free loans, which allowed the hardcore poor to receive the full amount of annual dividends and bonuses. As of 30 April 2000, a total of 153,500 hardcore poor benefited from this loan scheme, which totalled RM767.2 million.

3.10 Land development agencies such as FELDA, FELCRA and RISDA, contributed to a special scheme to eradicate hardcore poverty. Under this scheme, families headed by a disabled member or senior citizen of 60 years and above, received a monthly financial assistance of RM50 per person up to a maximum of RM250 per family. A total of 7,000 families in the hardcore poverty group benefited from this scheme, with FELDA extending assistance to 5,000 families and FELCRA and RISDA each assisting 1,000 families. This scheme enabled the households to move out of the hardcore poverty group.

3.11 In addition to the PPRT, programmes spearheaded by NGOs and the private sector also contributed to the reduction of hardcore poverty. During the Plan period, *Amanah Ikhtiar Malaysia* (AIM) provided micro-credit financing to 22,800 poor families from the RM300 million interest-free loan allocated by the Government. The private sector and the various state-based poverty eradication foundations also intensified their efforts in providing skills training as well as in-kind and financial contributions to the poor.

3.12 Since 1998, in response to the economic crisis, the Government undertook measures to further expand social programmes, particularly the provision of basic services and amenities. The allocation for the PPRT and other programmes was increased. An additional RM100 million was provided to the original RM200 million for AIM, while another RM200 million was allocated for a micro-credit programme for petty traders and hawkers in urban areas. A total of RM200 million was also allocated for the provision of rural infrastructure facilities such as schools, clinics, potable water and electricity. In addition, the implementation of measures to moderate the increase in the prices of food and other essentials as well as the 'Buy Malaysian' campaign managed to contain inflationary pressures and cushion the poor and hardcore poor, in particular, from the adverse effects of the crisis.

3.13 *Poverty among the Orang Asli.* During the Plan period, the Government implemented specific development programmes for the *Orang Asli*, which included economic and social programmes that improved their standard of living. The income-generating activities implemented included land development, vegetable farming and livestock rearing as well as retail business and handicraft industries. The implementation of new land development and resettlement projects involving a total land area of about 19,800 hectares benefited 8,100 *Orang Asli* families. The *Orang Asli* community also benefited from a special allocation of RM100 million for the ASB-PPRT scheme. A total of RM79 million was disbursed by the end of 1999, benefiting 15,820 *Orang Asli* households. In 1999, the incidence of poverty and hardcore poverty among the *Orang Asli* was at 50.9 and 15.4 per cent, respectively.

Income Distribution

3.14 The overall income distribution among households in Malaysia improved during the Seventh Plan period. The proportion of lower-income households, defined as those earning less than RM1,500 per month, decreased from 54.4 per cent in 1995 to 43.8 per cent in 1999, as shown in *Table 3-3*. The size of middle-income households, defined as those earning between RM1,500 and RM3,500, increased from 32.3 per cent in 1995 to 37 per cent in 1999, bringing Malaysia closer to creating a bigger middle-income class.

3.15 In line with the overall improvement in income distribution, all ethnic groups registered an increase in household income during the Plan period. The mean monthly gross household income increased from RM2,020 in 1995 to RM2,472 in 1999, registering an average growth rate of 5.2 per cent per annum, as shown in *Table 3-4*. The increase was made possible by the creation of greater employment opportunities that enabled more Malaysians to be gainfully employed. The Bumiputera mean household income grew at an average rate of 5.5 per cent per annum to RM1,984 in 1999, while that of the Chinese increased by 4.6 per cent per annum to RM3,456. As a result, the income imbalance between the Bumiputera and Chinese narrowed as indicated by the decrease in the Bumiputera-Chinese income disparity ratio from 1:1.80 in 1995 to 1:1.74 in 1999. However, the Bumiputera-Indians income disparity ratio increased from 1:1.33 to 1:1.36, due to a higher income growth rate of 6.0 per cent per annum recorded by the Indians.

3.16 During the Plan period, rural household income grew by 6.7 per cent per annum to RM1,718 in 1999, while urban household income grew at 4.6 per cent to RM3,103. As a result, the income disparity ratio between rural and urban households narrowed from 1:1.95 in 1995 to 1:1.81 in 1999.

TABLE 3-3

**DISTRIBUTION OF HOUSEHOLDS BY
MONTHLY GROSS HOUSEHOLD INCOME, 1995 AND 1999**
(%)

<i>Income Class (RM)</i>	<i>1995</i>	<i>1999</i>
499 and below	10.6	6.0
500 - 999	23.9	19.0
1,000 - 1,499	19.9	18.8
1,500 - 1,999	13.1	13.9
2,000 - 2,499	8.9	10.1
2,500 - 2,999	6.1	7.3
3,000 - 3,499	4.2	5.7
3,500 - 3,999	2.8	3.9
4,000 - 4,999	3.8	5.5
5,000 and above	6.7	9.8
Total	100.0	100.0
Mean Income (RM)	2,020	2,472
Median Income (RM)	1,377	1,704
Gini Coefficient	0.4560	0.4432

TABLE 3-4

**MEAN MONTHLY GROSS HOUSEHOLD INCOME
BY ETHNIC GROUP, 1995 AND 1999**
(RM)

<i>Ethnic Group</i>	<i>1995</i>	<i>1999</i>	<i>Average Annual Growth Rate (%), 1995-1999</i>
Bumiputera	1,604	1,984	5.5
Chinese	2,890	3,456	4.6
Indians	2,140	2,702	6.0
Others	1,284	1,371	1.7
Malaysia	2,020	2,472	5.2
Urban	2,589	3,103	4.6
Rural	1,326	1,718	6.7

3.17 All income groups recorded an increase in household income during the Plan period, as shown in *Table 3-5*. The mean income of the bottom 40 per cent of households increased to RM865 in 1999, registering a growth rate of 5.7 per cent per annum. This was higher than the growth rate recorded by the middle 40 per cent and top 20 per cent of the households. In addition, the income share of the bottom 40 per cent of households increased from 13.7 per cent in 1995 to 14 per cent in 1999, while the top 20 per cent of households recorded a decrease in their income share from 51.3 per cent to 50.5 per cent. Consequently, the Gini coefficient, a summary measure of income differences, declined from 0.4560 in 1995 to 0.4432 in 1999, indicating narrowing income inequality.

Restructuring of Ownership and Control of the Corporate Sector

3.18 During the Seventh Plan period, efforts were continued to increase Bumiputera ownership of corporate equity and control of companies through the strengthening of Bumiputera capacity to manage businesses effectively. Various programmes were implemented including training, provision of technical advice and hands-on experience as well as providing opportunities for capable Bumiputera to actively participate in the corporate sector. Bumiputera institutions and trust agencies played an important role in mobilizing Bumiputera resources and in the

TABLE 3-5
MEAN MONTHLY GROSS HOUSEHOLD INCOME
BY INCOME AND ETHNIC GROUPS,
1995 AND 1999
(RM)

<i>Ethnic Group</i>	1995			1999		
	<i>Top 20%</i>	<i>Middle 40%</i>	<i>Bottom 40%</i>	<i>Top 20%</i>	<i>Middle 40%</i>	<i>Bottom 40%</i>
Bumiputera	3,986	1,461	572	4,855	1,810	742
Chinese	7,270	2,560	1,062	8,470	3,168	1,271
Indians	5,100	1,954	868	6,456	2,460	1,092
Others	3,106	1,131	539	3,242	1,204	616
Malaysia	5,202	1,777	693	6,268	2,204	865
Urban	6,474	2,323	942	7,580	2,844	1,155
Rural	3,153	1,235	515	4,124	1,577	670

acquisition of effective equity ownership. However, the economic downturn in 1998 affected the restructuring of ownership and control of companies in the corporate sector.

3.19 *Ownership.* In absolute terms, Bumiputera ownership of share capital at par value increased by 12.6 per cent per annum from about RM37 billion in 1995 to RM59 billion in 1999, as shown in *Table 3-6*. However, the Bumiputera proportion of corporate equity ownership declined from 20.6 per cent in 1995 to 19.1 per cent in 1999. The highest proportion of Bumiputera equity ownership was in the agriculture, construction and transportation sectors, at 28.5 per cent, 26.5 per cent and 24.2 per cent, respectively. Bumiputera ownership of corporate equity in the manufacturing sector remained low at 12.5 per cent in 1999.

3.20 Non-Bumiputera equity ownership increased substantially from about RM78 billion to RM125 billion, in spite of the decrease in their share of corporate equity from 43.4 per cent in 1995 to 40.3 per cent in 1999. The Chinese share of capital ownership declined from 40.9 per cent in 1995 to 37.9 per cent in 1999, while that of Indians remained at 1.5 per cent. In line with the efforts to revitalize the economy, there was a relaxation of regulations on foreign equity ownership, particularly in the manufacturing sector. As a result, foreign ownership of share capital in the corporate sector increased from about RM50 billion or 27.7 per cent in 1995 to about RM101 billion or 32.7 per cent in 1999. Foreign equity ownership in the manufacturing sector was highest at 56.3 per cent in 1999. Other sectors with foreign equity ownership exceeding 30 per cent were wholesale and retail trade, at 36.4 per cent and utility, at 32.5 per cent.

3.21 *Control.* Despite the reduction in the proportion of Bumiputera equity ownership in the corporate sector, the proportion of Bumiputera companies¹ remained at about 19 per cent in 1999. However, the number of Bumiputera companies increased by about 39 per cent to a total of about 97,500 during the Plan period. The proportion of Bumiputera companies in all sectors of the economy was low, ranging from 8.0 to 33 per cent with the highest proportion in the transportation sector, followed by the utility, construction and agriculture sectors.

3.22 About 70 per cent of Bumiputera companies were small with a paid-up capital of RM100,000 and below. In 1999, about 17 per cent of the total equity in the corporate sector was controlled by Bumiputera, 43 per cent by non-Bumiputera and 40 per cent by foreigners. The highest proportion of equity

¹ Companies with the largest share capital owned by Bumiputera group.

TABLE 3-6

**OWNERSHIP OF SHARE CAPITAL (AT PAR VALUE)
OF LIMITED COMPANIES¹, 1995 AND 1999**
(RM million)

<i>Ownership Group</i>	<i>1995</i>	<i>%</i>	<i>1999</i>	<i>%</i>	<i>Average Annual Growth Rate (%), 1996-1999</i>
Bumiputera	36,981.2	20.6	59,394.4	19.1	12.6
Individuals & Institutions	33,353.2	18.6	54,046.0	17.4	12.8
Trust Agencies ²	3,628.0	2.0	5,348.4	1.7	10.2
Other Malaysians	78,026.9	43.4	125,013.3	40.3	12.5
Chinese	73,552.7	40.9	117,372.4	37.9	12.4
Indians	2,723.1	1.5	4,752.9	1.5	14.9
Others	1,751.1	1.0	2,888.0	0.9	13.3
Foreigners	49,792.7	27.7	101,279.2	32.7	19.4
Nominee Companies	14,991.4	8.3	24,389.5	7.9	12.9
Total	179,792.2	100.0	310,076.4	100.0	14.6

Notes:

¹ Excludes Government holdings (except trust agencies).

² Refers to shares held by trust agencies, such as *Permodalan Nasional Berhad* (PNB) and State Economic Development Corporations (SEDCs).

controlled by the Bumiputera was in the transportation, construction and agriculture sectors, at 32.2 per cent, 27.1 per cent and 24.3 per cent, respectively. In comparison, the proportion of equity of non-Bumiputera controlled companies was high in almost all sectors, ranging from 41 per cent to 57 per cent, except in the manufacturing sector which was 60 per cent foreign controlled.

3.23 Despite the slowdown in the economy in 1998, Bumiputera ownership and control of public-listed companies on the Kuala Lumpur Stock Exchange (KLSE) increased as a result of pragmatic efforts taken by the Government to stimulate the economy and reduce the impact of the financial crisis on the stock market. In 1999, Bumiputera owned 28.5 per cent of share capital at par value of the companies listed on the KLSE. At the same time, out of the total of 757 companies listed on the KLSE, Bumiputera controlled 202 companies or 26.7 per cent compared with 26 per cent in 1995. The highest number of Bumiputera controlled companies were in the trading, finance and industrial counters.

Employment Restructuring

3.24 During the Seventh Plan period, efforts were continued to restructure the employment pattern to reflect the ethnic composition of the population. In particular, education and training programmes were emphasized to increase the number and proportion of Bumiputera professionals and managers in the corporate sector. The Government played a leading role in providing education and training which was also complemented by the private sector. Efforts were also made to encourage greater non-Bumiputera participation in the public sector.

3.25 The proportion of Bumiputera employed was high in most sectors of the economy, except in the construction and wholesale and retail trade. Their proportion of the total number of workers employed increased slightly from 51.4 per cent in 1995 to 51.5 per cent in 2000, as shown in *Table 3-7*. The proportion of Chinese employed increased marginally from 29.6 per cent in 1995 to 29.7 per cent in 2000 while that of Indians increased from 7.9 per cent to 8.3 per cent during the period. Despite the higher proportion of Bumiputera employment, the unemployment rate among the Bumiputera was the highest at 4.6 per cent compared with 1.6 per cent for the Chinese and 2.7 per cent for the Indians.

3.26 During the Plan period, the number of Bumiputera employed in all occupational categories increased slightly. However, their participation was concentrated in lower-level occupations such as production and agriculture workers. Despite the increase in the number of Bumiputera in the professional and technical category, their proportion decreased slightly from 64.4 per cent in 1995 to 63.9 per cent in 2000, as shown in *Table 3-8*. Although the percentage of Bumiputera workers in the professional and technical category was high, most of them were in the sub-professional category as well as teachers and nurses. The proportion of Bumiputera workers remained low in the administrative and managerial category, at 37 per cent in 2000, whereas the proportion of Chinese was higher at 52.3 per cent. The Indians, however, witnessed an increase in their proportion in this category, from 4.8 per cent in 1995 to 5.5 per cent in 2000. The lower growth of Bumiputera employment in the professional and technical as well as in the administrative and managerial categories, was partly due to the limited supply of qualified, experienced and skilled Bumiputera in several key fields such as electrical and electronics, information and communications technology (ICT) as well as in finance.

3.27 The number of Bumiputera professionals registered in the eight selected professions such as accountants, lawyers, engineers and doctors, increased during the Plan period. In spite of the increase in the proportion of Bumiputera professionals

TABLE 3-7

EMPLOYMENT BY SECTOR AND ETHNIC GROUP, 1995 AND 2000
(‘000)

Sector	1995										2000									
	Bumiputera	%	Chinese	%	Indians	%	Others ¹	%	Total	%	Bumiputera	%	Chinese	%	Indians	%	Others ¹	%	Total	%
Agriculture	896.6	21.8	174.7	7.4	89.6	14.2	331.8	37.4	1,492.7	18.7	867.1	18.2	155.7	5.6	85.7	11.1	299.0	30.8	1,407.5	15.2
%	60.1		11.7		6.0		22.2		100.0		61.6		11.1		6.1		21.2		100.0	
Mining & Quarrying	23.3	0.6	8.9	0.4	4.3	0.7	4.0	0.4	40.5	0.5	23.7	0.5	8.6	0.3	4.2	0.6	4.7	0.5	41.2	0.4
%	57.5		22.0		10.6		9.9		100.0		57.5		20.9		10.2		11.4		100.0	
Manufacturing	1,009.9	24.6	614.5	26.0	228.5	36.2	174.6	19.7	2,027.5	25.4	1,256.4	26.3	769.9	28.0	291.1	37.8	240.9	24.8	2,558.3	27.6
%	49.8		30.3		11.3		8.6		100.0		49.1		30.1		11.4		9.4		100.0	
Construction	268.2	6.5	294.7	12.4	33.7	5.3	120.5	13.6	717.1	9.0	286.1	6.0	290.6	10.6	35.8	4.6	142.5	14.7	755.0	8.1
%	37.4		41.1		4.7		16.8		100.0		37.9		38.5		4.7		18.9		100.0	
Electricity, Gas & Water	48.6	1.2	7.0	0.3	7.5	1.2	4.3	0.5	67.4	0.8	53.4	1.1	8.7	0.3	8.5	1.1	4.4	0.5	75.0	0.8
%	72.1		10.4		11.1		6.4		100.0		71.2		11.6		11.3		5.9		100.0	
Transport	210.3	5.1	116.1	4.9	46.2	7.3	22.6	2.5	395.2	4.9	257.5	5.4	131.7	4.8	55.5	7.2	16.9	1.7	461.6	5.0
%	53.2		29.4		11.7		5.7		100.0		55.8		28.5		12.0		3.7		100.0	
Wholesale & Retail Trade	483.1	11.7	661.7	27.9	80.7	12.8	98.0	11.0	1,323.5	16.5	607.4	12.7	771.7	28.0	105.6	13.7	99.5	10.2	1,584.2	17.1
%	36.5		50.0		6.1		7.4		100.0		38.3		48.7		6.7		6.3		100.0	
Finance	168.1	4.1	157.7	6.7	34.6	5.5	12.4	1.4	372.8	4.7	230.5	4.8	209.5	7.6	50.3	6.5	18.4	1.9	508.7	5.5
%	45.1		42.3		9.3		3.3		100.0		45.3		41.2		9.9		3.6		100.0	
Other Services ²	1,005.5	24.4	331.3	14.0	106.2	16.8	119.5	13.5	1,562.5	19.5	1,194.6	25.0	406.9	14.8	133.9	17.4	144.3	14.9	1,879.7	20.3
%	64.4		21.2		6.8		7.6		100.0		63.6		21.6		7.1		7.7		100.0	
Total Employed	4,113.6	100.0	2,366.6	100.0	631.3	100.0	887.7	100.0	7,999.2	100.0	4,776.7	100.0	2,753.3	100.0	770.6	100.0	970.6	100.0	9,271.2	100.0
%	51.4		29.6		7.9		11.1		100.0		51.5		29.7		8.3		10.5		100.0	
Labour Force	4,312.2		2,402.8		648.0		891.0		8,254.0		5,004.7		2,797.6		791.6		978.6		9,572.5	
%	52.2		29.1		7.9		10.8		100.0		52.3		29.2		8.3		10.2		100.0	
Unemployment	198.6		36.2		16.7		3.3		254.8		228.0		44.3		21.0		8.0		301.3	
%	77.9		14.2		6.6		1.3		100.0		75.7		14.7		7.0		2.6		100.0	
Unemployment Rate (%)	4.6		1.5		2.6		0.4		3.1		4.6		1.6		2.7		0.8		3.1	

Notes:

¹ Includes non-citizens.² Includes public, private and community services.

TABLE 3-8
EMPLOYMENT BY OCCUPATION AND ETHNIC GROUP, 1995 AND 2000
('000)

Occupation	1995						2000											
	Bumiputera %	Chinese %	Indians %	Others ¹ %	Total %	%	Bumiputera %	Chinese %	Indians %	Others ¹ %	Total %							
Professional & Technical ² %	509.8 64.4	12.4 25.7	203.5 8.6	55.4 7.0	8.8 2.9	23.2 2.6	2.6 100.0	791.9 100.0	9.9	651.3 63.9	13.6 25.8	263.4 9.6	77.5 7.6	10.1 2.7	27.6 2.7	2.8 1.0	1,019.8 100.0	11.0
Teachers & Nurses %	203.0 72.3	4.9 20.5	57.6 2.4	18.5 6.6	2.9 0.6	1.6 0.2	0.2 100.0	280.7 100.0	3.5	246.1 73.2	5.2 18.4	61.9 2.2	23.2 6.9	3.0 1.5	5.0 1.5	0.5 1.5	336.2 100.0	3.6
Administrative & Managerial %	94.2 36.8	2.3 52.5	134.3 5.7	12.3 4.8	1.9 5.9	1.7 1.7	1.7 100.0	256.0 100.0	3.2	144.0 37.0	3.0 52.3	203.7 7.4	21.6 5.5	2.8 5.2	20.1 5.2	2.1 5.2	389.4 100.0	4.2
Clerical Workers %	501.0 57.5	12.2 33.8	294.8 12.4	64.5 7.4	10.2 1.3	11.6 1.3	1.3 100.0	871.9 100.0	10.9	584.1 56.8	12.2 32.9	338.9 8.6	88.2 8.6	11.5 1.7	17.9 1.7	1.9 1.7	1,029.1 100.0	11.1
Sales Workers %	317.5 36.4	7.7 50.2	438.0 18.5	54.1 6.2	8.6 7.2	62.4 7.1	7.1 100.0	872.0 100.0	10.9	380.4 37.3	8.0 49.8	507.7 5.8	69.7 6.8	9.0 6.1	62.0 6.1	6.4 6.1	1,019.8 100.0	11.0
Service Workers %	509.1 57.3	12.4 21.6	191.7 8.1	72.4 8.2	11.5 12.9	114.7 12.9	12.9 100.0	887.9 100.0	11.1	631.2 57.7	13.2 21.8	238.2 2.8	93.3 8.5	12.1 12.0	131.3 12.0	13.5 12.0	1,094.0 100.0	11.8
Agriculture Workers %	984.1 61.3	23.9 11.9	191.4 8.1	111.6 6.9	17.7 19.9	320.7 36.1	36.1 100.0	1,607.8 100.0	20.1	1,027.5 61.2	21.5 10.3	172.3 6.3	116.5 6.9	15.1 21.6	361.8 21.6	37.3 21.6	1,678.1 100.0	18.1
Production Workers %	1,197.9 44.2	29.1 33.7	912.9 38.6	261.0 9.6	41.3 12.5	339.9 38.3	38.3 100.0	2,711.7 100.0	33.9	1,358.2 44.7	28.5 33.8	1,029.1 37.4	303.8 10.0	39.4 11.5	349.9 11.5	36.0 11.5	3,041.0 100.0	32.8
Total %	4,113.6 51.4	100.0 29.6	2,366.6 100.0	631.3 7.9	100.0 11.1	887.7 100.0	7,999.2 100.0	100.0	4,776.7 51.5	100.0 2,753.3	100.0 29.7	770.6 8.3	100.0 10.5	970.6 10.5	100.0 10.5	9,271.2 100.0	100.0	

Notes:

¹ Includes non-citizens.

² Refers to the standard definition as provided in the Dictionary of Occupational Classification which includes categories such as draughtsmen, laboratory assistants as well as teachers and nurses.

from 27.3 per cent in 1995 to 28.9 per cent in 1999, their proportion was still low, as shown in *Table 3-9*. The proportion of Bumiputera in all professions increased slightly except for accountants and surveyors, where the proportions decreased from 16.1 per cent and 48.3 per cent in 1995 to 15.9 per cent and 47.8 per cent in 1999, respectively.

3.28 During the Plan period, efforts were also directed towards increasing the number of Bumiputera students in ICT and related courses to prepare them for the knowledge-based economy. Based on the latest available information, the proportion of Bumiputera in the ICT industry in 2000 was about 38.9 per cent, while Chinese and Indians were at 44.9 and 9.1 per cent, respectively. However, the proportion of Bumiputera in the clerical and support personnel category in the ICT industry was higher at 65.7 per cent, while the proportion of Bumiputera in professional occupations such as engineers, consultants and graphic multimedia designers remained low.

Development of the BCIC

3.29 During the Seventh Plan period, progress was made in developing viable, competitive and resilient Bumiputera entrepreneurs. There was a significant increase in the number of Bumiputera enterprises, both in the corporate and non-corporate sectors. A total of 97,500 Bumiputera companies registered with the Registrar of Companies (ROC) in 1999, compared with 69,700 companies in 1995 or 19 per cent of the total companies registered with the ROC. Meanwhile, the number of Bumiputera entities registered with the Registrar of Businesses (ROB) doubled from 366,790 in 1995 to 743,550 in 1999. This represented about 38.7 per cent and 45.3 per cent, respectively, of the total number of ROB-registered companies.

3.30 The implementation of a broad range of assistance provided by the Government and the private sector increased the number of Bumiputera entrepreneurs. During the Plan period, a total of 26,300 Bumiputera entrepreneurs was developed through various BCIC programmes. However, the economic crisis in 1997-1998 affected the progress made in the development of the BCIC. Bumiputera entrepreneurs, being relatively new and inexperienced in the business world, were badly affected by the resulting credit squeeze, higher input costs and slackened demand for their products and services.

3.31 During the Plan period, the Government continued to implement packaged programmes to enhance the development of a viable, competitive and resilient BCIC. A total of 2,710 Bumiputera entrepreneurs was developed through packaged

TABLE 3-9
REGISTERED PROFESSIONALS BY ETHNIC GROUP, 1995 AND 1999

Profession	1995				1999				Average Annual Growth Rate (%), 1996-1999						
	Bumiputera	Chinese	Indians	Others ¹	Total	Bumiputera	Chinese	Indians	Others ¹	Total	Bumiputera	Chinese	Indians	Others ¹	Total
Accountants %	1,422 16.1	6,655 75.2	692 7.9	75 0.8	8,844 100.0	2,167 15.9	10,520 77.0	789 5.8	185 1.3	13,661 100.0	11.1	12.1	3.3	25.3	11.5
Architects %	368 27.6	943 70.7	20 1.5	3 0.2	1,334 100.0	431 28.9	1,036 69.3	23 1.5	4 0.3	1,494 100.0	4.0	2.4	3.6	7.5	2.9
Dentists %	577 30.9	854 45.7	409 21.9	29 1.5	1,869 100.0	888 34.8	1,074 42.1	534 21.0	54 2.1	2,550 100.0	11.4	5.9	6.9	16.8	8.1
Doctors %	3,212 33.4	3,086 32.1	3,069 32.0	241 2.5	9,608 100.0	4,460 36.7	3,749 30.9	3,448 28.4	484 4.0	12,141 100.0	8.6	5.0	3.0	19.0	6.0
Engineers %	1,730 21.6	5,753 71.8	527 6.6	3 0.0	8,013 100.0	2,688 26.5	6,806 67.1	642 6.4	4 0.0	10,140 100.0	11.6	4.3	5.1	7.5	6.1
Lawyers %	1,731 29.0	2,589 43.3	1,591 26.6	65 1.1	5,976 100.0	2,783 31.3	3,640 41.0	2,379 26.8	77 0.9	8,879 100.0	12.6	8.9	10.6	4.3	10.4
Surveyors %	1,309 48.3	1,235 45.6	86 3.2	79 2.9	2,709 100.0	1,495 47.8	1,482 47.4	94 3.0	56 1.8	3,127 100.0	3.4	4.7	2.2	-8.2	3.7
Veterinary Surgeons %	310 40.2	183 23.7	259 33.5	20 2.6	772 100.0	409 42.6	258 26.8	274 28.5	20 2.1	961 100.0	7.2	9.0	1.4	0.0	5.6
Total %	10,659 27.3	21,298 54.4	6,653 17.0	515 1.3	39,125 100.0	15,321 28.9	28,565 53.9	8,183 15.5	884 1.7	52,953 100.0	9.5	7.6	5.3	14.5	7.9

Sources: Professional associations and institutions covering both public and private sectors such as Malaysian Institute of Accountants, Board of Architects Malaysia, Malaysia Dental Council, Malaysian Medical Council, Board of Engineers Malaysia, Bar Council Malaysia, The Institution of Surveyors Malaysia and Malaysia Veterinary Surgeons Council.

Note: ¹ Includes non-citizens.

programmes such as the vendor development programme, the franchise development programme, the genuine joint-venture scheme and the venture capital scheme. The implementation of these programmes that emphasized quality management, efficiency and good business ethics, facilitated the entry of Bumiputera entrepreneurs into strategic industries and commerce.

3.32 The *Vendor Development Programme* was successful in meeting the Plan target of creating 250 new vendors in strategic industries. A total of 209 Bumiputera enterprises was selected to be vendors for privately-owned companies, while another 198 were selected to provide parts, supplies and services to large government-owned companies, including *Petroliam Nasional Berhad*, *Tenaga Nasional Berhad* and *Telekom Malaysia Berhad*. A 1999 study to determine the effectiveness of the BCIC packaged programmes showed that the vendor development programme was successful in producing vendors who performed well in terms of growth in sales and profits as well as returns to paid-up capital. This success was largely due to the ability of vendors to manufacture products to meet the requirements of their clients.

3.33 Under the *Franchise Development Programme*, a total of 550 new Bumiputera franchisees was selected in various types of products and services such as cosmetics, ICT, fast food and pharmaceuticals, as well as in motorcar servicing, building maintenance and courier services. However, this number was fewer than the Plan target of 1,200. The shortfall was due to the difficulties faced by franchisees in acquiring financial assistance, business failure of franchisor companies and the reluctance of local companies to develop franchised products. During the Plan period, a total of 29 Bumiputera companies was developed as franchisors. The Venture Capital Scheme of *Perbadanan Usahawan Nasional Berhad* (PUNB), which was targeted to create 440 entrepreneurs, attracted 353 Bumiputera entrepreneurs to participate in strategic industries. These industries include the manufacture of plastics- and petrochemical-based products, engineering and automotive components as well as service-related activities such as telecommunications and information technology. Apart from taking equity of up to 30 per cent and providing loan stock of up to 50 per cent in each project, PUNB was also involved in monitoring corporate performance and business development services including training.

3.34 The other BCIC packaged programmes did not have specific targets but contributed to the development of more Bumiputera entrepreneurs. The number of participants in the *Program Kontraktor Binaan Bumiputera Berwibawa* increased by 278 during the Plan period and the Umbrella Concept Production-Marketing

Arrangement attracted 142 new participants in the Furniture Integrated Marketing Programme, and 32 in the food industry under the Besta label. The Mentor Programme, with 28 companies, succeeded in creating 249 link-ups, while the Genuine Joint-Venture Scheme created 54 new ventures between Bumiputera and non-Bumiputera partners. Under the *Skim Kilang Bimbingan*, 156 Bumiputera entrepreneurs were selected and given the opportunity to utilize factory premises provided by *Bank Pembangunan dan Infrastruktur Malaysia Berhad*. The Rural Entrepreneur Development Programme assisted 474 rural small-scale entrepreneurs in the acquisition of modern and appropriate production equipment.

3.35 In addition to packaged programmes, the Government continued to provide various types of unpackaged or one-off assistance to the Bumiputera business community. A total of 9,280 new business premises was provided by *Majlis Amanah Rakyat* (MARA), UDA Holdings Berhad, State Economic Development Corporations (SEDCs) and Malaysian Handicraft Development Corporation, of which about 89 per cent were taken up by Bumiputera entrepreneurs. In addition, another 39,940 business premises were provided by various local authorities as part of their efforts to promote business development in their respective areas, particularly for the Bumiputera. With regard to business financing, loans totalling RM4 billion from 28 funds were disbursed to 53,020 Bumiputera entrepreneurs during the Plan period. *Perbadanan Nasional Berhad* (PNS) also assisted in developing 146 middle-class entrepreneurs through its various investment programmes, which included strategic alliance and partnership, equity participation as well as investments in mezzanine companies and franchise businesses.

3.36 In terms of entrepreneurial training and counselling, government agencies conducted courses that benefited 156,850 existing and potential Bumiputera entrepreneurs. In this respect, entrepreneurial programmes continued to emphasize the inculcation of an entrepreneurial culture at all levels, particularly among students in secondary schools and institutions of higher learning. During the Plan period, 21,660 students in 325 schools were involved in *Program Usahawan Muda*. Under the *Program Pembangunan Usahasiswa*, a total of 13,100 students in 11 institutions of higher learning participated in various business activities. In addition, 665 government employees benefited from training courses on how to start and manage business activities. To provide a focal point for information and advisory services, eight *Pusat Bimbingan Usahawan* at the state level and four centres at the district level were established. These centres provided services to a total of 12,170 entrepreneurs during the Plan period.

III. PROSPECTS, 2001-2005

3.37 During the Eighth Plan period, distributional strategies will continue to emphasize the narrowing of income imbalance as well as increasing effective Bumiputera corporate equity ownership and the number of Bumiputera in high income occupations. Efforts will be intensified towards eradicating poverty through specific programmes to address pockets of poverty in different regions, particularly in remote areas. In addition, measures will be undertaken to strengthen the BCIC, including the Bumiputera middle-class, through the development of successful and world-class Bumiputera entrepreneurs. The inculcation of entrepreneurial culture and positive values among Bumiputera entrepreneurs will be further enhanced. The private sector and NGOs will also be encouraged to provide meaningful contribution for the attainment of the distributional objectives.

3.38 During the Plan period, the key strategies to enable the achievement of the distributional objectives will be as follows:

- ❑ *reorienting poverty eradication programmes to reduce the incidence of poverty to 0.5 per cent by 2005;*
- ❑ *intensifying efforts to improve the quality of life, especially in rural areas by upgrading the quality of basic amenities, housing, health, recreation and educational facilities;*
- ❑ *improving the distribution of income and narrowing income imbalance between and within ethnic groups, income groups, economic sectors, regions and states;*
- ❑ *achieving effective Bumiputera participation as well as equity ownership of at least 30 per cent by 2010 in the context of economic growth without resorting to micro-restructuring of existing ventures;*
- ❑ *developing resilient and sustainable Bumiputera enterprises through the inculcation of positive values and attitudes as well as improving entrepreneurial capabilities;*
- ❑ *restructuring employment to reflect the ethnic composition of the population; and*
- ❑ *creating a bigger Bumiputera middle-income group with special emphasis on the BCIC.*

Poverty Eradication

3.39 During the Eighth Plan period, the thrust of poverty eradication will be to reorientate poverty eradication programmes to reduce the incidence of poverty to 0.5 per cent by 2005. Poverty eradication programmes will be more target-specific by addressing pockets of poverty, particularly in remote areas. In addition, the respective programmes will also address the issue of poverty among the *Orang Asli* and other Bumiputera in Sabah and Sarawak. A study on the profile of the poor and hardcore poor will be undertaken to facilitate the implementation of target-specific anti-poverty programmes.

3.40 The strong economic growth that is anticipated during the Plan period is expected to generate more opportunities for the poor to increase their income and move out of poverty. In addition, skills training and education programmes will be expanded to enable the poor and low-income groups to be employed in the more productive and remunerative sectors of the economy. More community colleges will be established to provide hands-on training for school leavers and workers, including those in the rural areas and estates. Efforts will be intensified to ensure that the poor and low-income groups benefit from various measures implemented in the education system. The provision of financial assistance, free textbooks and food supplements will be continued. The Government will also build more schools and related infrastructure in rural areas as well as upgrade existing schools to be at par with urban schools.

3.41 Existing poverty eradication programmes, such as the PPRT and other anti-poverty programmes, will be consolidated under the *Skim Pembangunan Kesejahteraan Rakyat* (SPKR). The SPKR will address issues of hardcore and general poverty and that of specific vulnerable groups in rural and urban areas. The SPKR, which covers economic, social and physical projects through various sub-programmes such as the Integrated Development of Remote Villages, *Program Pembangunan Insan*, provision of balanced food, housing assistance and *ASB-Sejahtera* will be targeted at eradicating poverty in areas and among groups that have a high incidence of poverty. The SPKR will also emphasize the incremental aspects of household income among which includes group-based commercial agricultural projects as outlined in the Third National Agricultural Policy (NAP3). Income-generating projects will be implemented with the cooperation of the private sector and NGOs. To improve self-esteem and increase self-reliance among the poor, the existing *Program Pembangunan Insan* will be strengthened. This programme will help prevent the participants from reverting into poverty.

3.42 To address pockets of poverty among households in urban centres and its periphery, the Government will also implement programmes such as the provision of housing and amenities as well as opportunities to generate income. At the same time, the respective states and local authorities will carry out the resettlement of squatter areas throughout the country. The existing integrated approach taken by local authorities, private sector and NGOs will be continued through programmes such as the Integrated Development for Urban Communities, *Pusat RAHMAT*, *Projek HARAPAN* and *Skim Khas Ibu Tunggal*.

3.43 A Comprehensive Development Plan for the *Orang Asli* will be developed under the purview of the SPKR to overcome the high incidence of poverty and to improve their quality of life. The existing projects under the Integrated Development of Remote Villages Programme will be continued to help address the extreme poverty among the *Orang Asli*.

3.44 A more detailed household income survey will be undertaken for Sabah and Sarawak to determine the state of poverty, income levels and quality of life in different locations within the respective states as well as among various Bumiputera groups such as the Kadazandusun, Iban, Bajau, Murut, Bidayuh, Melanau and other Bumiputera minorities. The findings of the survey will be used to formulate more focused measures to alleviate poverty and improve the quality of life of the population in Sabah and Sarawak, particularly those in the interior and remote areas.

3.45 To complement the efforts of the Government in poverty eradication, NGOs and the private sector are expected to further expand their activities and coverage in assisting the poor. AIM will continue to render their services to a wider spectrum of participants and regions in the country by utilizing the RM300 million interest-free loan provided by the Government in the Seventh Plan. Special preparatory programmes for potential participants will also be conducted by AIM to promote self-esteem and self-reliance among the poor households. In addition, the private sector and the various state-based *Yayasan Basmi Kemiskinan* will continue their efforts in providing skills training as well as in-kind and financial contributions to the poor.

3.46 Apart from programmes geared towards increasing the income of poor households, the Government will continue to implement programmes and projects to improve their quality of life. Although there has already been a wide coverage in terms of the provision of basic amenities and services, the Government will further implement related projects to reach out to the remote areas. The projects will include the provision of potable water and accessibility to services such as

electricity, health, education and communications. In addition, indicators will be developed to monitor the rural and urban quality of life.

Income Distribution

3.47 The Government will continue to address the issue of income imbalance, particularly among and within ethnic groups, income groups, economic sectors, regions and states. With the expected high economic growth during the Plan period, the middle-income group is expected to increase in size and share of income. As part of a major long-term income distribution objective, the nation will create a bigger and more prosperous middle-income group in addition to increasing income of the lower income group. In line with the principles outlined in the National Vision Policy (NVP), efforts to expand the Bumiputera middle-income group will be intensified.

3.48 Measures will continue to be undertaken to increase income and improve the quality of life of the bottom 30 per cent of the population. In this regard, the Government will streamline the eligibility criteria for assistance, based on household income, which will be reviewed periodically. For the first half of this Plan period, the income eligibility criteria for assistance is set at RM1,200 and below per month per household.

3.49 The Government will implement various measures to reduce income imbalances between the rural and urban areas as well as between the less developed and the more developed states. In rural development, the Government will continue to modernize and commercialize agricultural activities through various programmes as outlined in the NAP3. In addition, measures will be taken to encourage smallholders and farmers, particularly those with small and uneconomical land size, to diversify into subsectors such as aquaculture and livestock farming as well as in non-agricultural income-generating activities. At the same time, the Government will establish an income augmentation mechanism to protect smallholders during difficult periods. To increase the productivity and income of rubber smallholders, the Government will provide financial assistance for the adoption of the low-intensity tapping system. Measures will also be taken to increase the income and improve the quality of life of estate workers as well as address problems faced by former workers of fragmented estates. In this regard, appropriate programmes such as retraining and housing will be introduced. To reduce the disparity between states, the Government will promote measures to increase the growth of the less developed states through the promotion of appropriate sectors such as manufacturing, agriculture and services.

Ownership and Control of the Corporate Sector

3.50 During the Eighth Plan period, efforts will continue to be taken to strengthen and improve effective Bumiputera participation in the corporate sector as well as increase their equity ownership and control of companies to at least 30 per cent by 2010. In this respect, special attention will be given to increase equity ownership among Bumiputera in Sabah and Sarawak such as the Kadazandusun, Iban, Bajau, Murut, Bidayuh, Melanau and other Bumiputera minorities. The restructuring efforts will be carried out within the context of a rapidly growing economy with increasing opportunities for all Malaysians and without resorting to micro-restructuring of existing ventures. The implementation of the related programmes will also be guided by the need to achieve a more equitable participation of the various ethnic groups in the economy. To further accelerate the restructuring process, programmes that provide opportunities for potential young entrepreneurs and corporate leaders, particularly in the modern and strategic sectors, will be improved. At the same time, the unit trust schemes will be strengthened to ensure small investors receive greater benefit from the restructuring process. While the Government continues with efforts towards achieving the ownership restructuring objectives, the private sector is expected to further complement these efforts.

3.51 Bumiputera individuals and companies will continue to be entrusted to effectively increase Bumiputera equity ownership and control of companies. In line with this, opportunities will continue to be provided to Bumiputera individuals and companies with potential to acquire effective ownership and control over strategic companies through the allocation of shares, equity financing and the privatization programme. To enable Bumiputera to be more resilient and sustain their ownership and control of companies, the focus will be towards inculcating positive values and attitudes as well as strengthening management capabilities. Among the values that will be emphasized are discipline, integrity, trustworthiness, diligence, honesty and prudence. The role of Bumiputera institutions and trust agencies will be enhanced, especially in mobilizing Bumiputera resources and in creating new wealth. In this regard, Bumiputera trust agencies and institutions, particularly the SEDCs, will undertake measures to reposition, review and consolidate their position to enable them to face the challenges. These institutions and trust agencies will also be provided with greater opportunities to increase their stake and effective ownership of companies for the benefit of the wider Bumiputera community. In this respect, the Government will allocate shares reserved for Bumiputera to trust agencies and institutions to sustain Bumiputera shareholdings for a longer term and also to avoid the dilution of Bumiputera interest.

3.52 During the Plan period, the privatization programme, especially through management-buy-outs, will continue to be implemented to increase effective Bumiputera ownership in, and control of, the corporate sector. At the same time, opportunities will continue to be given to other Malaysians to participate in the programme. In addition, entities that have been granted privatization projects will be required to create opportunities to develop more Bumiputera entrepreneurs.

3.53 The Government will continue to maintain a pro-business approach and encourage foreign direct investment in strategic industries. In this regard, Bumiputera companies need to establish joint ventures and strategic partnerships with foreign investors to gain knowledge and experience through the transfer of technology. The Government will continue to provide the necessary support and assistance to facilitate and expedite the process. In addition, a review of the Foreign Investment Committee (FIC) guidelines will be undertaken to streamline the processes and improve its effectiveness.

3.54 During the Plan period, unit trust schemes are expected to continue to provide opportunities to small investors, particularly among the Bumiputera and other disadvantaged groups. The Government will also encourage financial institutions to extend financing facilities to Bumiputera and other disadvantaged groups to invest in unit trust schemes. Steps will be taken to review unit trust schemes, particularly the state unit trust schemes, to ensure that resources invested in these schemes are managed more effectively to optimize benefits from the investment. In addition, national unit trust funds (NUTF) will be established during the Plan period, to ensure a wider distribution of equity ownership among Bumiputera and other disadvantaged groups.

3.55 While the target for non-Bumiputera equity ownership is set at 40 per cent, measures will be taken to increase the Indian equity ownership to 3.0 per cent by 2010. In this regard, a study will be undertaken to formulate appropriate strategies and programmes to increase the participation of Indians in the economy.

3.56 Various measures will be undertaken to promote Bumiputera ventures in the manufacturing and dynamic services sectors. As Bumiputera companies have already made inroads into the construction, transportation and agriculture sectors, they will be encouraged to diversify into other higher value-added activities during the Plan period. To increase Bumiputera ownership in the manufacturing sector, efforts will be taken to promote their participation in the manufacturing subsectors such as electrical and electronics, pharmaceutical, biotechnology, composites and advanced materials, chemicals, petrochemicals, transport equipment and food industries. To facilitate effective Bumiputera participation, an enabling

environment will be created to assist them to acquire appropriate technology, finance as well as management expertise. A special programme will be introduced to provide training and appropriate machinery for the rural households to be involved in contract manufacturing of components and parts. Agencies such as the Malaysian Industrial Development Authority (MIDA) and the Small and Medium Industries Development Corporation (SMIDEC), will assist in identifying outsourcing opportunities as well as tracking technology trends and seeking potential partners.

3.57 Bumiputera companies are already widely involved in food manufacturing industries, particularly in small- and medium-scale operations. During the Plan period, they will be further encouraged to increase and improve the manufacturing of *halal*-food products, in line with efforts to make Malaysia the *halal*-food hub for the world market. The entrepreneurs will be encouraged to look beyond the domestic market, since there is a vast potential for *halal* products. Measures that will be undertaken to enhance Bumiputera participation in *halal*-food manufacturing include the provision of technical and financial assistance. Malaysian Agricultural Research and Development Institute (MARDI) and other agencies will provide technical assistance and advice to Bumiputera to expand the technical capabilities of Bumiputera companies. In terms of financing, the Fund for Food (3F) programme will also be expanded to include food processing and manufacturing activities.

3.58 Bumiputera companies need to venture into potential areas of the dynamic services sectors, which include information and communications technology, education, health, tourism, sea and air transport, consultancy and professional services. Measures will be undertaken to increase Bumiputera participation in the sea transportation services, including related support services such as haulage, warehousing, managing distri-parks, distribution, packaging and repackaging, and customized delivery services. As for air transportation, Bumiputera participation will be enhanced in areas such as air cargo handling, freight and forwarding services. In addition, Bumiputera entrepreneurs will be encouraged to venture into other businesses such as tour agencies dealing especially with inbound tourists as well as expand into niche markets such as the Middle East, Islamic countries, China and India.

3.59 To promote Bumiputera ventures in the manufacturing and dynamic sectors, measures will be implemented in a coordinated and integrated approach. The related institutions will establish specialized service centres to provide assistance and guidance to Bumiputera in areas such as the formulation of business plans, marketing strategies and research. For the manufacturing sector, a specialized

unit in SMIDEC will operate the centres while that for ICT will be located in the Malaysian Technology Development Corporation (MTDC). In the services sector, particularly in education, tourism and transport services, appropriate centres will be established to enhance the capability of Bumiputera companies. The respective centres will also assist Bumiputera companies in attaining appropriate international certification such as the ISO certification.

3.60 As for financing, measures will be taken to establish special windows for Bumiputera in the existing funds to increase their utilization by Bumiputera. In addition, a study will be undertaken to evaluate the effectiveness of the existing funds, particularly in enhancing Bumiputera businesses. Efforts will be undertaken to further streamline the respective funds to promote Bumiputera ventures more effectively.

3.61 In line with efforts to increase Bumiputera ownership and participation in the corporate sector and the creation of the BCIC, measures will also be taken to identify suitable Malay reserve, *baitulmal*, *wakaf*, native and customary land to be developed into commercial and industrial properties. In addition, a study will be undertaken to analyze the status of all these land and recommend the *modus operandi* for their development. The development of these resources will provide more opportunities for Bumiputera to participate in business. Bumiputera agencies, companies and other private sector entities will be encouraged to participate in the development of such resources. In order to accelerate these measures, efforts will also be focused on facilitating the provision of financing facilities, particularly by the banks and financial institutions.

Employment Restructuring

3.62 During the Eighth Plan period, the implementation of strategies and programmes to restructure employment in the various sectors and occupations to reflect the ethnic composition of the population will be intensified. Attention will be given towards increasing Bumiputera participation, particularly in the professional, managerial and other high-income occupations.

3.63 Education and training will continue to be an important vehicle to achieve the employment restructuring objectives. In this regard, more places will be made available for qualified Bumiputera students in public and private institutions of higher learning, particularly in ICT, science and other professional courses. In addition, the Government will continue to sponsor outstanding Bumiputera

students to reputable institutions abroad. While the Government continues to provide financial support to Bumiputera students, the private sector is also expected to provide financial assistance to enable more Bumiputera students to pursue their studies. At the same time, attention will also be given towards improving the performance of Bumiputera students especially in Science, Mathematics and the English language, through more effective teaching methods, provision of better educational facilities and the establishment of more residential schools. Similarly, efforts will be undertaken to improve the performance of non-Bumiputera students in Bahasa Malaysia, particularly in vernacular schools.

3.64 In meeting the expected increase in the demand for highly skilled labour, more opportunities will be given to Bumiputera graduates of vocational and technical training institutions as well as technical workers, to acquire and upgrade their skills and knowledge. With the upgrading of the existing institutions and the establishment of new ones, more places will be made available for Bumiputera students.

3.65 There exists a mismatch between qualifications acquired and the requirements of industry, especially among Bumiputera students, since most of them specialize in the social sciences. This will result in a large number of Bumiputera graduates not being able to benefit from the employment opportunities available. Steps will be taken to provide retraining programmes to Bumiputera graduates to enable them to acquire market-related knowledge and skills to improve their employment opportunities. In addition, more opportunities will be provided to capable Bumiputera graduates to start off their own businesses through various programmes, such as the Graduate Entrepreneurship Scheme and *Projek Usahawan Bumiputera Dalam Bidang Peruncitan* or PROSPER. The implementation of these programmes will not only provide employment opportunities for Bumiputera graduates but also increase their participation in the retail subsector.

3.66 Measures will be taken to improve the balance between Bumiputera and non-Bumiputera employment in the public and private sectors. Towards this end, non-Bumiputera will be encouraged to apply for jobs in the public sector, particularly in areas where they are under-represented. At the same time, the private sector must employ more Bumiputera professionals and executives in their firms. A study will be undertaken to review the current state of Bumiputera employment in the private sector in order to formulate remedial measures to overcome the existing imbalance in the private sector.

Development of the BCIC

3.67 The Government, including the trust agencies and Government-owned companies, will continue to further develop the BCIC and create successful and world-class Bumiputera entrepreneurs. In this process, direct Government support and intervention will be continued on a selective basis. The implementing agencies will establish exit policies to determine the time frame for the participants to graduate from the packaged BCIC programmes. These exit policies will encourage entrepreneurs to increase their competitiveness as well as provide opportunities to new Bumiputera entrepreneurs to participate in the programmes. To complement Government's efforts in the development of the BCIC, the private sector, particularly large enterprises, as well as chambers of commerce and trade associations, must support the BCIC programmes by initiating new programmes to help create sustainable and self-reliant Bumiputera entrepreneurs.

3.68 Consistent with the objective of creating a larger and more prosperous Bumiputera middle-class, existing steps will be fine-tuned to expedite the establishment of this group. In addition, a number of new strategies will be employed to strengthen the position of Bumiputera enterprises, including equity financing to technopreneurs. Government-owned companies will develop special programmes to create and nurture Bumiputera middle-class entrepreneurs. To increase the pool of potential Bumiputera entrepreneurs, measures will be taken to encourage public sector retirees and trained employees to venture into business including the provision of financing facilities.

3.69 At the same time, existing BCIC programmes, particularly the packaged programmes such as franchise and vendor development, will be further strengthened in order to increase the number of viable Bumiputera entrepreneurs. In this regard, the Government will enhance the participation of Bumiputera in the franchise development programme through the purchase of selected franchise from overseas and develop Bumiputera franchisees as well as conduct research and development (R&D) on local franchise products. A total of 1,000 new Bumiputera franchisees and 50 franchisors will be created during the Plan period, particularly in the area of services and retailing. A comprehensive training programme will be introduced to train, develop and nurture franchisors and franchisees. In addition, 300 new Bumiputera vendors will be selected under the Vendor Development Programme, while the Genuine Joint-Venture Scheme is expected to create 100 new ventures between Bumiputera and non-Bumiputera entrepreneurs. Under the Venture Capital Scheme, PUNB is expected to select 500 new Bumiputera entrepreneurs as its investment partners.

3.70 Emphasis will be given to the development of Bumiputera entrepreneurs in retail trade through PROSPER, especially in new townships and residential areas. The required assistance and support services that will be provided by PROSPER include the provision of premises, capital, loans, business opportunities and training, particularly in accounting and cash management. The project will encourage potential Bumiputera retailers to venture into businesses, such as mini-markets, electrical goods, pharmacies, food and bakeries, telecommunications and ICT-related businesses, gift shops, furniture, books and office stationery. PUNB will act as a one-stop centre to process applications from interested entrepreneurs to participate in the project. Steps will continue to be taken to provide more business premises in strategic locations for Bumiputera entrepreneurs. Agencies such as the SEDCs, MARA, UDA Holdings Berhad, local authorities and other government companies will construct and purchase more business premises, especially in new townships and residential areas.

3.71 Entrepreneurial training programmes will be intensified to enable Bumiputera entrepreneurs to face the challenges of globalization and utilize more knowledge content in their activities. These programmes will promote self-reliance, competitiveness and good business ethics among Bumiputera entrepreneurs. In addition, such training programmes will also emphasize positive values such as trustworthy, hardworking and discipline which are necessary traits to build successful and resilient Bumiputera entrepreneurs. Towards this end, the *Institut Keusahawanan Negara* will be established as a focal point to undertake strategic planning on entrepreneurship, market intelligence, R&D, curriculum development, business networking and counselling. At the same time, training programmes to inculcate entrepreneurial culture and positive values will be continued, particularly among students in secondary schools and institutions of higher learning.

3.72 The chambers of commerce and trade associations are required to initiate new programmes that can effectively help to create more sustainable, self-reliant and world-class Bumiputera entrepreneurs. These include the promotion of networking among members, dissemination of information and market intelligence as well as introduction of best practices and facilitation of marketing arrangements. To gain from these private sector initiatives, more Bumiputera entrepreneurs should join these associations and actively participate in their activities.

3.73 During the Plan period, measures will be undertaken to prepare Bumiputera companies to meet the challenges of globalization. Bumiputera companies, particularly the small entities, need to attain a critical size and become export-oriented by consolidating further to achieve greater strength, efficiency and

competitiveness. In this respect, Bumiputera companies have to adopt higher standards and institute quality improvements. The Government will support this effort by providing assistance on a selective basis through a special window for Bumiputera in the Small and Medium Industries (SMI) Fund. In addition, the Malaysia External Trade Development Corporation (MATRADE) will also provide market intelligence and assist in the promotion of exports.

3.74 Various measures will be undertaken to promote Bumiputera entrepreneurs in utilizing more knowledge-intensive processes and applications in their businesses and enhancing collaboration with R&D institutions. Bumiputera companies need to move up the value chain in terms of product design and development as well as packaging, marketing and distribution by collaborating with the relevant institutions. Bumiputera companies have to increase the utilization of ICT in their production processes and in the conduct of their business operations. The greater application of ICT will increase Bumiputera accessibility to new sources of financing and in establishing international market linkages.

3.75 In order to promote the participation of Bumiputera entrepreneurs in the ICT industry, a Bumiputera ICT Council will be established to plan and develop a Bumiputera ICT Agenda. The Agenda will include strategies to increase awareness of the opportunities in the ICT industry, develop a pool of Bumiputera technopreneurs, provide greater accessibility to capital and market information as well as establish linkages with international markets. A special window in the proposed ICT Fund will be established to undertake these activities. Apart from ICT, the Government will continue to promote Bumiputera participation in strategic and high technology industries, namely biotechnology, petrochemicals and communications.

IV. CONCLUSION

3.76 Progress was made in reducing poverty and restructuring of society during the Seventh Plan period, despite the economic downturn in 1998. During the Eighth Plan period, the poverty eradication programmes will be more target-specific by addressing issues of poverty among specific vulnerable groups in both the rural and urban areas. As for the restructuring of society, steps will be taken to increase effective Bumiputera participation in major sectors of the economy while pursuing efforts towards attaining at least 30 per cent Bumiputera equity ownership by 2010. The implementation of these distributional strategies during the Eighth Plan will enhance efforts towards attaining the objectives of the NVP and the building of a developed nation, as envisaged in Vision 2020.

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